

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-10 ISO-00 IO-13 FEA-01 AGRE-00
CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 STR-05 ITC-01 TRSE-00 USIA-06 PRS-01
SP-02 OMB-01 OPIC-03 SIL-01 /115 W
-----055010 050937Z /14

P R 050829Z DEC 77

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 3312

INFO AMEMBASSY BRUSSELS

AMEMBASSY PARIS

USMISSION GENEVA

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USOECD

USEEC

USMTN

DEPARTMENT PASS STR

E.O.11652: N/A

TAGS: EEC, ETRD, MTN, GATT, OECD, JA

SUBJECT: PRESS REPORTS ON JAPANESE CURRENT ACCOUNT REDUCTION
MEASURES

REF: TOKYO 18262

1. SUMMARY: SPECULATIVE PRESS REPORTS ON GOJ ECONOMIC
PACKAGE TO BE PRESENTED TO USG ARE EXTENSIVE BUT INCONCLUSIVE.
GOJ CONSIDER TARIFF CUTS ON ABOUT 300 PRODUCT ITEMS SUCH
AS MOTOR VEHICLES, COMPUTERS, FILMS, MACHINERY, STEELS,
AND OTHERS. QUOTA ON ANTHRACITE COAL TO BE REMOVED.
SOME LIBERALIZATION OF AGRICULTURAL PRODUCTS IS REPORTED
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UNDER CONSIDERATION. MINISTERIAL COUNCIL TO CONTINUE
MEETING TO DISCUSS DOMESTIC ECONOMIC POLICY, BUDGETS,
ECONOMIC STIMULATION, AND YEN APPRECIATION. IMPORT
CONTRACTS FOR OCTOBER EXCEED EXPORT CONTRACTS WHICH ARE
OFF 58.4 PCT. SOME EXPORTS COMPETITIVE, BUT CAUGHT IN
PROFIT SQUEEZE. U.S. TRADE DEVELOPMENTS FOLLOWED
CLOSELY BY JAPANESE PRESS. WE CAN EXPECT LARGE

VOLUME OF SPECULATIVE STORIES AS PACKAGE FOCHUSHIBA
NEARS COMPLETION. END SUMMARY.

2. VERNACULAR PRESS REPORTS CONCERNING PROPOSED GOJ
MOVES TO MEET IZS DEC 6 DEADLINE FOR DRAWING UP AN
ECONOMIC PACKAGE HAVE BEEN EXTENSIVE BUT INCONCLUSIVE,
REFLECTING ABASNCE OF ANY FIRM DECISIONS YET. THE ONLY
COMMON THEME HAS BEEN AGREEMENT THAT THE GOJ IS UNUSUALLY
SECRETIVE ABOUT THE PACKAGE AND THAT INTERMINISTERIAL
DEBATE HAS BEEN INTENSE.

3. THE MOST DETAILED MEDIA ACCOUNT OF THE TRADE PACKAGE

EXPECTED TO BE TABLED BY JAPAN WAS CARRIED BY NIHON
KEIZAI. IT REPORTED THAT JAPAN WAS PREPARED TO LOWER
TARIFFS ON ABOUT 300 ITEMS AT THE SEVEN DIGIT CLASSI-
FICATION LEVEL.

4. SEVENTEEN MAJOR ITEMS WERE LISTED BY NIHON KEIZAI:

ITEM	TARIFFS	
	CURRENT	PROPOSED

A. MOTOR VEHICLES:

(1) PASSENGER CARS, BUSES, TRUCKS

AND SPECIAL VEHICLES: 6.4 PCT W3

(2) AUTO PARTS, CHASSIS, BODIES: 6 TO 8 3

(3) MOTORCYCLES 8 4

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B. COMPUTERS:

(1) MAIN FRAMES, DESK CALCULATORS 13.5 9

(2) CHARACTER READERS 15

10

(3) PERIPHERAL EQUIPMENT 22.5 V 14

C. FILMS:

(1) COLOR FILM 16 11

(2) X-RAY 14.4 9

D. INDUSTRIAL MACHINERY:

(1) MACHINE TOOLS

(LATHES, METALWORKING): 8.8 6.5

(2) GENERATORS, ETC. 10 8

(3) AIRCRAFT RADAR 12. 9.5

E. STEELS:

(1) COILS, ETC. 6 5

(2) ALLOY STEELS (BIMETAL) 14.4 11.5

(3) OTHER ALLOY STEEL 8 6

F. OTHER:

(1) PERFUMES, COSMETICS, ETC.	12	9.5
(2) TOILET SOAPS	10.8	8.5
(3) PRINTING PAPER, ETC.	8	6

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FM AMEMBASSY TOKYO
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5. THE NIHON KEIZAI SAID FURTHER CUTS MAY BE MADE ON
COLOR FILMS, COMPUTERS, AND AUTOMOBILES BEFORE
AMBASSADOR USHIBA TAKES THE PACKAGE TO THE U.S. FOR
PRESENTATION, BECAUSE "A VERY HIGH LEVEL OFFICIAL"
FEELS THESE ARE IMPORTANT TO U.S.-JAPANESE
RELATIONS. MANY OF THE ABOVE ITEMS WERE SAID TO BE
SUBJECT TO NEGOTIATION ONCE THEY ARE PRESENTED AT
THE TALKS IN WASHINGTON.

6. IN AN ARTICLE APPEARING IN THIS MORNING'S PRESS
(DEC 5), MITI IS SAID TO HAVE DECIDED TO REMOVE ANTHRACITE
COAL FROM HIS LIST OF QUOTA RESTRICTIONS. OTHER COALS
WOULD REMAIN ON THE LIST.

7. ACCOUNTS DESCRIBE THE MAF AS BEING ADAMANTLY OPPOSED
TO THE LIBERALIZATION OF BEEF, TOMATOES, ORANGES
AND THEIR PRODUCTS FROM IMPORT CONTROL. HOWEVER, SOME
AGRICULTURAL ITEMS ARE EXPECTED TO BE PERMITTED FREE
IMPORT INCLUDING CERTAIN FRUIT JUICES, PROCESSED FRUITS,
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BEANS, SOME FISHERY PRODUCTS, AND CHEMICAL SEASONINGS
BASED ON MONOSODIUM GLUTAMATE.

8. THE PRIME MINISTER IS REPORTED TO HAVE ORDERED THE
MINISTERIAL COUNCIL ON ECONOMIC POLICIES TO MEET THREE
OR FOUR TIMES NEXT WEEK TO DISCUSS DOMESTIC ECONOMIC
POLICY AND THE COMPILATION OF A FJY-78 BUDGET. THE
FIRST AGENDA ITEM WILL BE THE 15 MONTH SUPPLEMENTAL
BUDGET. OTHER ITEMS WILL INCLUDE STEPS TO TRIM TRADE
SURPLUSES, RELIEF FOR SMALL AND MEDIUM INDUSTRIES
HURT BY THE RECESSION AND YEN APPRECIATION, AND MEASURES
TO UNDERTAKE PUBLIC WORKS PROJECTS TO STIMULATE THE
ECONOMY. FUKUDA SPECIFICALLY CITED THE CONSTRUCTION
OF SUPER EXPRESS TRAIN LINES, EXPRESSWAYS, BRIDGES
ACROSS THE INLAND SEA TO LINK HONSHU WITH SHIKOKU,
CRUDE OIL STORAGE STATIONS, DAMS, EXPANDED ELECTRIC
POWER SOURCES, AND CIVIL AIRPORT EXPANSION AS THE TYPE
OF PROJECTS HE HAD IN MIND.

9. THE EFFECT OF YEN APPRECIATION AND THE RECESSION
ALSO CONTINUE TO ATTRACT NEWS HEADLINES. ONE REPORT
NOTES THAT THE VALUE OF IMPORT CONTRACTS CONCLUDED IN
OCTOBER BY MAJOR JAPANESE TRADING FIRMS TOPPED THAT OF
EXPORT CONTRACTS FOR THE FIRST TIME IN SIX MONTHS.
EXPORT FIGURES, IT SAID, WERE DOWN 17.1 PCT FROM 1976.
EXPORTS CONTRACTED TO THE U.S. IN OCTOBER WERE OFF 58.4PCT;
IMPORTS FROM THE U.S., HOWEVER, WERE ALSO OFF 19.4 PCT.

10. ACCOUNTS SAY SOME PRODUCTS SUCH AS STILL CAMERAS,
TV'S MOTORCYCLES, AUTOMOBILES, AND STEEL CONTINUE TO
BE COMPETITIVE DESPITE THE YEN'S APPRECIATION. THE
LATTER TWO PRODUCTS ARE CAUGHT, HOWEVER, IN A PROFIT
SQUEEZE BECAUSE OF STRENGTHENED COMPETITION FROM
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KOREA AND TAIWAN. THE MANUFACTURERS FIND THEIR
SITUATION LESS AFFECTED IN THE EC BECAUSE EUROPEAN
CURRENCIES HAVE NOT DEPRECIATED AS MUCH AGAINST THE
YEN AS THE DOLLAR. JAPANESE TEXTILES FACE SEVERE
COMPETITION FROM MANY COUNTRIES. THE YEN APPRECIATION
ALSO PUTS PRESSURE ON MACHINERY MANUFACTURERS AND
CHEMICAL PROCESSERS BECAUSE U.S. AND EUROPEAN PRODUCTS
ARE NOT CONSIDERABLY MORE COMPETITIVE. THERE ARE
INDICATIONS THAT SOUTHEAST ASIAN AND MIDDLE EASTERN
BUYERS ARE DELAYING PURCHASES AND SWITCHING TO OTHER

COUNTRIES BUSINESS ONCE RESERVED FOR JAPAN.

11. EMBASSY COMMENT: WE CAN EXPECT CONSIDERABLE
PRESS SPECULATION AS ELEMENTS OF PACKAGE FOR USHIBA TO
PRESENT ARE UNDER INTENSE DISCUSSION MONDAY AND TUESDAY.
SOME OF THE LEAKS WILL BE TRIAL BALLOONS, OTHERS WILL
BE ILL-INFORMED, BUT INTENSE INTEREST MAKES IT CERTAIN
THAT PRESS WILL BE FILLED WITH STORIES ON THESE SUBJECTS.
THERE CAN BE NO DOUBT THAT THE PRESSURE IS ON WITHIN
THE GOVERNMENT TO DEVELOP SOME CONCRETE SOLUTIONS TO
JAPAN'S PROBLEMS. THE MEDIA PROVIDES CONTINUOUS AND
FAIRLY ACCURATE COVERAGE OF U.S. DEVELOPMENTS ON THE
ISSUE, WITH SPECIAL EMPHASIS ON STEEL, PROTECTIONISM,
AND THE STATEMENTS OF THE PRINCIPALS INVOLVED, BUT
ALMOST NO DIRECT COMMENT ON THE KEY ISSUE OF ELIMINATING
JAPAN'S C/A SURPLUS.
MANSFIELD

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ACCOUNTS, TARIFF LIBERALIZATION
Control Number: n/a
Copy: SINGLE
Sent Date: 05-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977TOKYO18652
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770450-0303
Format: TEL
From: TOKYO USOECD
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19771291/aaaacztq.tel
Line Count: 241
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 6103bc0b-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 TOKYO 18262
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 18-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 356369
Secure: OPEN
Status: NATIVE
Subject: PRESS REPORTS ON JAPANESE CURRENT ACCOUNT REDUCTION MEASURES
TAGS: ETRD, JA, EEC, MTN, GATT, OECD
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/6103bc0b-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009